

TORONTO STOCK EXCHANGE

TORONTO

NEW LISTING

December 5th, 1969

BULLETIN NO. 7447

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED

file

Application has been granted for the listing in the industrial category of 3,810,000 shares without par value of which 250,000 shares are subject to issuance.

The shares will be posted for trading at the opening on Tuesday, December 9th, 1969.

Stock Symbol "BUD"; Post Section 8.3; Dial Quotation Number 2327.

Listing Statement No. 2414 is being prepared. The following is some of the information that will be in this Statement:-

Incorporated - incorporated under the laws of the Province of Ontario by Letters Patent dated October 8, 1965.

Head Office - 1011 Homer Watson Boulevard, Kitchener, Ontario

Nature of Business - The company is engaged in the manufacture of automobile chassis frames for the North American automotive industry.

Transfer Agent

& Registrar - National Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver.

Officers -

President and General Manager	- D. W. Clay, Kitchener, Ont.
Vice-President	- D. A. Ward, Wallingford, Pennsylvania
Vice-President - Finance	- L. G. Dawson, Kitchener, Ont.
and Secretary-Treasurer	
Assistant Secretary-Treasurer	- F. W. Norcross, Wyncote, Pennsylvania

Directors - D. W. Clay, D. A. Ward, F. W. Norcross and the following:-

J. H. McNeal, Jr., Bloomfield Hills, Michigan
R. C. Meech, Q.C., Toronto, Ont., Partner, Borden, Elliot, Kelley & Palmer
G. F. Richards, Bloomfield Hills, Michigan
P. W. Scott, Gladwyne, Pennsylvania

Capitalization - As at October 15, 1969

LONG-TERM DEBT	<u>Authorized</u>	<u>Issued and Outstanding</u>	<u>To Be Listed</u>
6-3/4% Sinking Fund			
Debentures, Series A, due May 2, 1986	\$15,000,000	\$15,000,000	Nil
9% Junior Sinking			
Fund Debentures, due October 15, 1989	\$18,000,000	\$ 5,000,000	Nil
SHARE CAPITAL			
Shares without par value	15,000,000	3,560,000	3,810,000*

* of which 150,000 are reserved for issuance upon exercise of share purchase warrants and 100,000 are reserved for issuance to employees pursuant to Share Option Plan.

Offering by Prospectus - Pursuant to an agreement dated September 15, 1969, the company has agreed to sell and McLeod, Young, Weir & Company Limited (the "Underwriter") has agreed to purchase, as principals, the Junior Debentures (with Warrants) for an aggregate price of \$4,850,000 (plus accrued interest, if any) and the 650,000 shares forming part of the Units for the aggregate purchase price of \$4,700,000 payable in cash against delivery of the interim Junior Debentures and definitive certificates for 35 of the shares comprised in the Units offered by prospectus, subject to the terms and conditions set out in the said agreement and compliance with the necessary legal formalities at a closing to be held on or about October 15, 1969. Under the said agreement the Underwriter is obliged to take up and pay for all the Units if any Unit is taken up and has agreed to act as agent of the company in connection with the offer of an additional 910,000 shares to The Budd Company.

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The Junior Debentures and 650,000 Shares are being offered in Units each consisting of a \$500 principal amount Junior Debenture (carrying warrants to purchase 15 shares) and 65 shares.

Of the 65 shares forming part of each Unit, 35 shares will be transferable separately from the Junior Debenture from the date of issue of the Junior Debentures. The balance of the shares forming part of each Unit will be transferable together with the Junior Debenture and will not be transferable separately until April 15, 1970 or such earlier date as the company may designate.

Share Purchase Warrants entitling the bearers thereof to purchase an aggregate of 150,000 shares without par value of the company, as presently constituted, at any time after receipt and up to the close of business on October 15, 1974 at the price of \$8.00 per share, and thereafter, at the price of \$10.00 per share, up to the close of business on October 15, 1979 when they will expire, will be issued by the company in accordance with the provisions of an indenture to be dated as of October 1, 1969 and made between the company and Montreal Trust Company, as trustee. The warrants will entitle the bearer to purchase 15 shares for each \$500 principal amount of the Junior Debentures and will be issued to the holders of Junior Debentures on October 15, 1971, or such earlier date as the company may designate, at which time the warrants will be exercisable.

Purpose of Issue - The estimated net proceeds to be received by the company from the sale of the securities offered by this prospectus will amount to \$16,425,000. after deducting the underwriter's discount and payment of expenses related to the issue of such securities. These proceeds together with cash generated from the company's operations and/or the sale of additional debt or equity securities of the company (the types and amounts of which have yet to be determined) and/or advances from The Budd Company will be applied to the cost of major plant expansion programme.

Earnings -

<u>Budd Automotive Canada (Subsidiary)</u>	<u>The Budd Company (Parent)</u>
Year ended December 31st	Year ended December 31st
1966 - (\$2,068,857) - Loss	1964 - \$5,586,000
1967 - (\$2,861,564) - Loss	1965 - 10,914,000
1968 - 2,584,571	1966 - 9,900,000
6 months ended June 30	1967 - 4,230,000
1969 - 1,366,108	1968 - 11,211,000

Dividends - No dividends have been paid on the company's shares to date. The payment of dividends on the shares will be subject to the discretion of the Board of Directors of the company and to such policy as it may adopt from time to time.

Listing on other Exchanges - Currently applying for listing on the Montreal Stock Exchange.

BY ORDER OF THE BOARD OF GOVERNORS

J. R. KIMBER
President

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2414.

LISTED December 9th, 1969

3,810,000 Shares without par value of which 250,000 shares are subject to issuance.

Stock Symbol "BUD".

Post Section 8.3.

Dial Quotation No. 2327.

Full

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED

Incorporated under the laws of the Province of Ontario by letters patent dated October 8, 1965.

CAPITALIZATION AS AT OCTOBER 15, 1969

LONG-TERM DEBT	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
6¾ % Sinking Fund Debentures, Series A, due May 2, 1986	\$15,000,000	\$15,000,000	Nil
9% Junior Sinking Fund Debentures, due October 15, 1989	\$18,000,000	\$ 5,000,000	Nil
SHARE CAPITAL			
Shares with par value	15,000,000	3,560,000	3,810,000*

*of which 150,000 are reserved for issuance upon exercise of share purchase warrants and 100,000 are reserved for issuance to employees pursuant to Share Option Plan.

1. APPLICATION November 5, 1969

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED (hereinafter called the "Company") hereby applies for the listing on The Toronto Stock Exchange of 3,810,000 shares without par value in the capital of the Company, 3,560,000 of which have been issued and are outstanding as fully-paid and non-assessable. The remaining 250,000 shares included in this application have been reserved as follows:

- (i) For issuance to certain employees of the Company under a Share Option Plan 100,000
- (ii) For issuance upon exercise of share purchase warrants 150,000

2. REFERENCE TO PROSPECTUS

Reference is hereby made to the attached copy of the prospectus of the Company dated September 16, 1969, (hereinafter called the "Prospectus") with respect to the offering for sale of \$5,000,000 9% Junior Sinking Fund Debentures, warrants to purchase 150,000 shares and 1,560,000 shares of the Company. The Prospectus is hereby incorporated in and made part of this application.

3. HISTORY OF THE COMPANY

Reference is made to "The Company" and "Operations of the Company—History" on page 3 of the Prospectus for particulars of the history of the Company.

4. NATURE OF BUSINESS

Reference is made to "The Company", "Operations of the Company", "Canada-United States Automotive Trade Agreement", and "The Budd Company" on pages 3 and 4 of the Prospectus for a description of the business of the Company.

5. INCORPORATION

The Company was incorporated under the laws of the Province of Ontario by letters patent dated October 8, 1965. Reference is made to "Description of Shares" on Page 13 of the Prospectus for details of changes in the capital structure of the Company.

6. SHARES ISSUED SINCE INCORPORATION

DATE OF ISSUE	NO. OF* SHARES ISSUED	AMOUNT REALIZED PER SHARE	TOTAL AMOUNT REALIZED	PURPOSE OF ISSUE
October 9, 1965	7	\$1	\$7	Directors qualifying shares
November 1, 1965	5,000	\$100	\$500,000	Construction and equipping of chassis plant in Kitchener, Ontario
December 2, 1965	5,000	\$100	\$500,000	
December 21, 1965	10,000	\$100	\$1,000,000	
January 5, 1966	579,993	\$6.89	\$3,999,993	
June 27, 1969	200,000	\$10	\$2,000,000	Cancellation of indebtedness to parent company.
October 15, 1969	1,560,000	\$7.69	\$12,000,000	Reference is made to "Use of Proceeds" on page 6 of the Prospectus.

*On June 30, 1969, the 800,000 shares then outstanding were subdivided into 2,000,000 shares.

7. SHARE PROVISIONS

Each share in the capital of the Company carries the right to one vote at meetings of shareholders and the right to share rateably in any dividends or other distributions to shareholders.

8. DIVIDENDS

Reference is made to "Dividends" on page 13 of the Prospectus.

9. PROPERTY, PLANT AND EQUIPMENT

Reference is made to "Manufacturing Facilities" and "Plant Expansion" on pages 3 and 4 of the Prospectus.

10. SUBSIDIARY COMPANIES

The Company has no subsidiaries.

11. FUNDED DEBT OF THE COMPANY

	AMOUNT OUTSTANDING	MATURITY DATE	INTEREST DATES
6¾ % Sinking Fund Debentures, Series A	\$15,000,000	May 2, 1986	May 2 and November 2
9% Junior Sinking Fund Debentures	\$ 5,000,000	October 15, 1989	April 15 and October 15

For particulars of the Sinking Fund Debentures, Series A, reference is made to "Description of Senior Debentures" on page 13 of the Prospectus. For particulars of the Junior Sinking Fund Debentures reference is made to "Description of Junior Debentures" on pages 6-12 of the Prospectus.

12. OPTIONS, UNDERWRITINGS, ETC.

100,000 shares have been reserved for the purposes of the Share Purchase Plan of the Company. For details of the Plan, reference is made to "Share Option Plan" on page 15 of the Prospectus.

Warrants entitling the holders to purchase 150,000 shares without par value are outstanding, for details of which reference is made to "Description of Share Purchase Warrants" on page 12 of the Prospectus.

The Company has outstanding no other options or underwritings, sales agreements or other contracts or agreements of a like nature with respect to any unissued shares or any issued shares held for the benefit of the Company.

13. LISTING ON OTHER STOCK EXCHANGES

No shares of the Company are listed on any other stock exchange but the Company is currently applying for listing of its shares on the Montreal Stock Exchange.

14. STATUS UNDER SECURITIES LAWS

The securities offered for sale by the Prospectus were qualified in September, 1969, for sale to the public in all provinces of Canada.

15. FISCAL YEAR

The fiscal year of the Company ends on December 31 in each year.

16. ANNUAL MEETINGS

The by-laws of the Company provide that the annual meeting of shareholders shall be held at such time and at such place in Ontario as the directors shall determine. The last annual meeting of shareholders was held on March 18, 1969.

17. HEAD OFFICE

The head office of the Company is located at 1011 Homer Watson Boulevard, Kitchener, Ontario. The Company has no other offices.

18. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the shares of the Company is National Trust Company, Limited, at its principal offices in Toronto, Montreal, Winnipeg, Calgary, and Vancouver.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

New Issue

\$17,000,000

The ~~Budd~~ Automotive Company of Canada Limited

\$5,000,000 9% Junior Sinking Fund Debentures due October 15, 1989

(Redeemable)

**Carrying Warrants to Purchase 150,000 Shares
and**

650,000 Shares without par value

Offered in Units each consisting of a \$500 Debenture (carrying Warrants to purchase 15 Shares) and 65 Shares.

910,000 Shares without par value offered to The Budd Company

Of the 1,560,000 Shares without par value (the "Shares") being offered by this prospectus 650,000 Shares will be sold to the public together with \$5,000,000 principal amount 9% Junior Sinking Fund Debentures (the "Junior Debentures") in the form of Units, as described above. The remaining 910,000 Shares, to be sold to The Budd Company, Philadelphia, Pennsylvania, for an aggregate price of \$7,000,000, are not available for public subscription and the entire proceeds from the sale of these Shares will be received by the Company.

Of the 65 Shares forming part of each Unit, 35 Shares will be transferable separately from the Junior Debenture from the date of issue of the Junior Debentures. The balance of the Shares forming part of each Unit will be transferable together with the Junior Debenture and will not be transferable separately until April 15, 1970 or such earlier date as the Company may designate. Junior Debentures in definitive form will be issued on October 15, 1971, or such earlier date as the Company may designate, and on such date Share Purchase Warrants (the "Warrants") in bearer form entitling the holders to purchase 15 Shares of the Company, as presently constituted, for each \$500 principal amount of Junior Debentures will be issued to the holders of such Junior Debentures. The Warrants will be exercisable at \$8.00 per Share at any time up to October 15, 1974 and at \$10.00 per Share thereafter and up to October 15, 1979, when they expire.

There is at present no market for the Shares of the Company and the price has been determined by negotiations between the Company and the Underwriter. Application has been made to list these Shares on The Toronto Stock Exchange and the Montreal Stock Exchange. Acceptance of the listing will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

Units of Junior Debentures and Shares	Price to Public ⁽¹⁾⁽²⁾	Underwriting Discount ⁽¹⁾	Proceeds to Company ⁽¹⁾⁽²⁾⁽³⁾
Per Unit.....	\$1,000	\$45	\$955
Total.....	\$10,000,000	\$450,000	\$9,550,000

(1) The 910,000 Shares to be sold to The Budd Company for an aggregate price of \$7,000,000 are not included.

(2) Plus accrued interest, if any.

(3) Before deducting expenses of the issue payable by the Company estimated at \$125,000.

We, as principals, offer the Units, if, as and when issued and accepted by us and subject to prior sale and the approval of all legal matters on our behalf by Messrs. Borden, Elliot, Kelley & Palmer, Toronto, who are also counsel for the Company.

PRICE: \$1,000 per Unit

(plus accrued interest, if any, on the Junior Debentures)

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that interim Junior Debentures in fully registered form and definitive certificates for 35 of the Shares comprised in each Unit will be available for delivery on or about October 15, 1969.

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THE COMPANY

The Budd Automotive Company of Canada Limited (the "Company") was incorporated under the laws of the Province of Ontario by Letters Patent dated October 8, 1965. The Company is engaged in the manufacture of automobile chassis frames for the North American automotive industry. Its head and principal office is located at 1011 Homer Watson Boulevard, Kitchener, Ontario. As at the date of this prospectus, the Company is a wholly owned subsidiary of The Budd Company of Philadelphia, Pennsylvania.

CAPITALIZATION

	<u>Amount authorized or to be authorized</u>	<u>Amount outstanding at June 30, 1969</u>	<u>Amount outstanding at June 30, 1969 after giving effect to this financing</u>
LONG TERM DEBT:			
6¾ % Sinking Fund Debentures, Series A, due May 2, 1986 ⁽¹⁾	\$15,000,000	\$15,000,000	\$15,000,000
9 % Junior Sinking Fund Debentures, due October 15, 1989 (this issue) ⁽²⁾	\$18,000,000	—	\$ 5,000,000
SHARES WITHOUT PAR VALUE ⁽³⁾⁽⁴⁾	15,000,000 shs.	2,000,000 shs. (\$8,000,000)	3,560,000 shs. (\$19,700,000)

- (1) The indenture under which these debentures are issued is expressed to constitute a floating charge on the undertaking and all the property and assets of the Company and the payment of these debentures is unconditionally guaranteed by The Budd Company. For particulars of these debentures reference is made to the heading "Description of Senior Debentures" on page 13.
- (2) Reference is made to the heading "Description of Junior Debentures" on page 6. Additional Junior Debentures up to an aggregate principal amount of \$13,000,000 may be issued under the indenture providing for the issuance of the 9 % Junior Sinking Fund Debentures subject to the restriction referred to on page 8 under the subheading "Certain Covenants of the Junior Trust Indenture".
- (3) By supplementary letters patent dated June 30, 1969 the outstanding Shares were sub-divided on the basis of 2½ Shares for each share then outstanding, increasing the outstanding Shares to 2,000,000.
- (4) As at June 30, 1969 and after giving effect to the issuance of Warrants to be attached to the Junior Debentures, rights to purchase a total of 150,000 unissued Shares of the Company will exist. For particulars on the Warrants reference is made to the heading "Description of the Share Purchase Warrants" on page 12.

OPERATIONS OF THE COMPANY

History

As a direct result of the Agreement Concerning Automotive Products (the "Agreement") entered into between Canada and the United States of America on January 16, 1965, providing for the duty-free importation from one country to the other of automobiles and certain other vehicles and certain accessories and parts thereof, The Budd Company established the Company in Canada to engage in the manufacture of automobile chassis frames for two of the major automotive manufacturers serving the North American automotive industry. For a more complete description of the Agreement see page 4 under the heading "Canada—United States Automotive Trade Agreement".

Following incorporation in October 1965, the Company constructed and equipped a 340,000 square foot automobile chassis frame manufacturing plant on a 120 acre site in Kitchener, Ontario. This plant, which involved a total capital outlay of \$21,000,000, entered volume production in February 1967 and plans are now well advanced to more than triple its production capacity.

Production and Marketing

The Company presently produces chassis frames for sale to two of the major manufacturers of automobiles in the North American market and during 1968 sold a total of 446,000 frames. The highly automated plant is designed to produce 450,000 frames per year under normal operating conditions.

Manufacturing Facilities

The Company's plant is strategically located to serve North American automobile manufacturers. It is centered in a planned industrial park close to supporting services and highway and rail transportation. The plant includes a two-storey office building with approximately 20,000 square feet of floor space and approximately 320,000 square feet of manufacturing floor space. The plant contains a well equipped and staffed medical centre and employee cafeterias.

The chassis frames are produced on a highly automated assembly-line mass production basis. Raw steel is fed through blanking presses where it is cut to size and then formed to shape by presses varying in size from

35 to 800 tons. A total of 60 presses is involved in stamping and forming operations, arranged in 6 press lines. Conveyor lines carry the stampings to the frame sub-assembly areas where they are assembled into frames by a series of welding operations. After assembly the frames are carried by conveyor through wash, dip-paint and bake operations. Throughout the manufacturing cycle extensive quality control checks are carried out. When finished, frames are moved automatically into the storage and shipping area where they are stacked prior to transportation by overhead cranes to railway flat cars and specially designed trucks for shipment directly to automobile assembly plants.

The Company has a most efficient production process which in part is a result of an advanced and highly sophisticated electronically controlled information system. This system provides management at all levels with the data necessary for close and efficient control over all aspects of the Company's operations.

Employees

The Company presently has approximately 600 hourly-paid plant employees and 150 salaried employees. The hourly-paid employees are represented by the United Auto Workers union which has entered into a contract with the Company which expires in March 1971. The Company believes that it has generally satisfactory relations with its employees although a work stoppage was experienced during the summer of 1968. The Company has a wage incentive system for production personnel in which a substantial portion of each employee's daily compensation is based on the respective employee's daily production output.

Plant Expansion

As a result of increased demand for the Company's product the Company is currently in the process of expanding the production capacity of its plant from 450,000 chassis frames to 1,400,000 chassis frames per year, at a total estimated cost of \$40,000,000. As a result of the expansion there will be 334,000 square feet of additional manufacturing floor space, 76 additional presses and other equipment. When the expansion is completed the Company will employ approximately 800 additional personnel. The expanded plant is scheduled to go on stream in the summer of 1970 and it is expected that full operations will commence during the summer of 1971.

CANADA—UNITED STATES AUTOMOTIVE TRADE AGREEMENT

In effect the Agreement provides, in part, that established automotive manufacturers in Canada may import from the United States and automotive manufacturers in the United States may import from Canada, on a duty-free basis respectively, automobiles and all parts, and accessories and parts thereof, except tires and tubes, when such parts, and accessories and parts thereof, are imported for use as original equipment in such automobiles.

With respect to such Canadian automotive manufacturers the Agreement provides that, in return for the concessions granted by the Agreement, such manufacturers must maintain (a) at least the same dollar value of Canadian-produced content that went into their production of vehicles in the 12-month period ended July 31, 1964, and (b) at least the same ratio of vehicles produced in Canada to vehicles sold in Canada as that which prevailed in the 12-month period ended July 31, 1964 and in any event such ratio must not be lower than 75 to 100.

A principal effect of the Agreement is that it permits Canadian automotive and parts manufacturers to take full advantage of the economies of large scale production by switching from short production runs for numerous models solely for the smaller Canadian market to longer runs for fewer models for the larger continental North American market.



The Budd Company ("Budd") is incorporated under the laws of the Commonwealth of Pennsylvania, is the successor to a company organized in 1912 and has its head office in Philadelphia, Pennsylvania. Budd is the largest independent producer of automotive body parts in the United States and presently produces parts and equipment for, among other customers, the four major automobile manufacturers—General Motors, Ford, Chrysler and American Motors. Budd is also one of the major builders of railway passenger cars in the United States and in recent years has concentrated on the design, development and manufacture of rapid transit cars and high-speed mainline and commuter trains. In addition Budd is a large manufacturer of truck trailers and cargo containers. Other operations and activities include production of laminated plastics and vulcanized fibre, manufacture of fine papers and selling and licensing Budd products and processes abroad. In 1968 sales amounted to \$469,479,000 (U.S.) and net earnings were \$11,211,000 (U.S.).

The operations of Budd are divided into six operating components of which the three major components are as follows: The Automotive Division which produces automotive body components, chassis frames, wheel products, disc and drum brake components, dies, jigs and fixtures; the Railway Division which designs and manufactures passenger cars for railway commuter service and rapid transit systems; Gindy Mfg. Corporation, a wholly owned subsidiary, which manufactures, sells and leases truck trailers, including dry-freight vans, refrigerated vans, flatbed trailers and cargo containers. The other operating components are the Polychem Division, the Paper Products Division and the Product Development Division. Operations are carried out in 19 plants of which 15 (including the Company's plant in Kitchener, Ontario) are strategically located in the northeastern and Great Lakes regions of the United States and Canada and one in each of Mexico, Argentina, France and Germany. In the aggregate these plants employ approximately 18,500 employees.

Budd is also engaged in an extensive export and licensing business in which it sells and licenses its products and processes in 40 countries.

UNDERWRITING

Pursuant to an agreement dated September 15, 1969 the Company has agreed to sell and McLeod, Young, Weir & Company Limited (the "Underwriter") has agreed to purchase, as principals, the Junior Debentures (with Warrants) for an aggregate price of \$4,850,000 (plus accrued interest, if any) and the 650,000 Shares forming part of the Units for the aggregate purchase price of \$4,700,000 payable in cash against delivery of the interim Junior Debentures and definitive certificates for 35 of the Shares comprised in the Units offered by this prospectus, subject to the terms and conditions set out in the said agreement and compliance with the necessary legal formalities at a closing to be held on or about October 15, 1969. Under the said agreement the Underwriter is obliged to take up and pay for all the Units if any Unit is taken up and has agreed to act as agent of the Company in connection with the offer of an additional 910,000 Shares to The Budd Company.

OFFERING OF UNITS

The Junior Debentures and 650,000 Shares are being offered in Units each consisting of a \$500 principal amount Junior Debenture (carrying warrants to purchase 15 Shares) and 65 Shares.

The purchasers of each Unit will receive, on or about October 15, 1969 a definitive share certificate representing 35 Shares and an interim Junior Debenture in the principal amount of \$500, endorsed with a statement to the effect that 30 Shares have been deposited with and are held by The Canada Trust Company, as Depositary, pursuant to an agreement (the "Deposit Agreement") to be dated as of October 1, 1969 and made between the Company and The Canada Trust Company. The Deposit Agreement will provide that within three business days after April 15, 1970 (or such earlier date as may be designated by the Company upon not less than 14 days' notice to the registered holders of Junior Debentures) or, as to any Junior Debenture which shall be redeemed, on its redemption date, the Depositary will mail to each registered holder of record of Junior Debentures on such date or to the last registered holder of any Junior Debenture which has been redeemed, as the case may be, a definitive Share certificate representing 30 Shares for each \$500 principal amount of Junior Debentures held as of such date or such redemption date. Prior to April 15, 1970 or the earlier date so designated (or, as to any Junior Debenture which shall be redeemed, its redemption date) each Unit of Junior Debenture and 30 Shares will be transferable only as a Unit and any transfer of a Junior Debenture shall include the proportionate interest of the holder in the related Shares. The Deposit Agreement will provide that the beneficial owners of the Shares, as their names appear on the Junior Debenture registers, will be entitled to receive from the Depositary signed proxies to vote such shares at meetings of shareholders of the Company. Dividends at any time paid upon the Shares deposited with the Depositary while held by the Depositary pursuant to the Deposit Agreement will be paid over or made available by the Depositary to the registered holders of the Junior Debentures, according to their respective interests, in such manner as the Depositary and the Company shall determine.

Junior Debentures in definitive form will be issued on October 15, 1971, or such earlier date as the Company may designate, and on such date Warrants in bearer form entitling the holders to purchase 15 Shares of the Company, as presently constituted, for each \$500 principal amount of Junior Debentures will be issued to the holders of such Junior Debentures. The Warrants will be exercisable from time of issue. Prior to October 15, 1971 or the earlier date so designated (or, as to any Junior Debenture which shall be redeemed, its redemption date) the Warrants will be transferable only with the Junior Debentures and any transfer of a Junior Debenture shall include the proportionate interest of the holder in the related Warrants.

USE OF PROCEEDS

The estimated net proceeds to be received by the Company from the sale of the securities offered by this prospectus will amount to \$16,425,000 after deducting the underwriter's discount and payment of expenses related to the issue of such securities. These proceeds together with cash generated from the Company's operations and/or the sale of additional debt or equity securities of the Company (the types and amounts of which have yet to be determined) and/or advances from The Budd Company will be applied to the cost of the major plant expansion programme referred to under the subheading "Plant Expansion" on page 4. Until so applied, a portion of the net proceeds will be used to retire current bank indebtedness incurred for working capital purposes, which at September 2, 1969 amounted to approximately \$4,000,000.

ASSET COVERAGE

The net tangible assets of the Company as at June 30, 1969, as shown by the pro forma balance sheet appearing on pages 18 and 19, were as follows:

Total assets.....		\$40,489,907
Less: Deferred preproduction charges and financing expenses.....	\$1,343,733	
Current liabilities.....	<u>2,694,152</u>	<u>4,037,885</u>
Net tangible assets applicable to long term debt.....		<u>\$36,452,022</u>

The foregoing net tangible assets represent \$1,906 for each \$1,000 principal amount of long term debt (excluding current portion), including the Junior Debentures, to be outstanding after giving effect to the present financing.

INTEREST COVERAGE

Maximum annual interest requirements on all long term debt of the Company after giving effect to the issue of the Junior Debentures will amount to \$1,462,500 per annum which will decrease as sinking funds operate. Earnings after depreciation and amortization but before interest charges on long term debt and provision for income taxes of the Company for the year ended December 31, 1968 was \$3,597,071. This amount represents 2.4 times the said maximum annual interest requirements.

DESCRIPTION OF JUNIOR DEBENTURES

Junior Trust Indenture

The \$5,000,000 principal amount of 9% Junior Sinking Fund Debentures (the "Junior Debentures") offered by this prospectus will be authorized for issuance by an indenture (the "Junior Trust Indenture") to be dated as of October 1, 1969 and made between the Company and The Canada Trust Company, as trustee (the "Trustee").

The Junior Trust Indenture will limit the aggregate principal amount of additional Junior Debentures (the "Additional Junior Debentures") that may be issued thereunder to a maximum amount of \$13,000,000, and Additional Junior Debentures may only be issued under the Junior Trust Indenture subject to the restriction referred to on page 8 under the subheading "Certain Covenants of the Junior Trust Indenture".

Principal and Interest

The Junior Debentures will be dated October 15, 1969, will bear interest at the rate of 9% per annum from October 15, 1969 and will mature October 15, 1989. Principal, half-yearly interest (April 15 and October 15) and premium, if any, will be payable in lawful money of Canada at any branch in Canada of the Company's bankers at the holder's option.

Denominations and Forms

The Junior Debentures will be issued in interim fully registered form in denominations of \$500 and any authorized multiple thereof. The Junior Debentures, in definitive fully registered and coupon form in the same denominations, will be available in exchange for interim Junior Debentures on or about October 15, 1971 or such earlier date as the Company may designate.

Security

The Junior Debentures will be direct obligations of the Company and will rank *pari passu* with and be secured equally and rateably (except as to sinking funds pertaining exclusively to any particular Additional Junior Deben-

tures) with all Additional Junior Debentures from time to time issued and outstanding under the Junior Trust Indenture by a second floating charge on the undertaking and all the property and assets of the Company for the time being, present and future, of whatsoever nature or kind situate in the Province of Ontario but subject to an exception as to the last day of the term of any lease or agreement therefor. The security constituted by the Junior Trust Indenture will rank behind the security constituted by the Senior Trust Indenture referred to under the heading "Description of Senior Debentures" on page 13.

Redemption and Payment

The Company will covenant in the Junior Trust Indenture not to redeem the Junior Debentures in whole or in part prior to October 15, 1984 as part of a refunding or anticipated refunding operation involving the application, directly or indirectly, of borrowed funds having an interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than 9% per annum. Subject to this restriction the Junior Debentures will be redeemable at the option of the Company, otherwise than out of sinking fund moneys, in whole at any time or in part from time to time upon not less than 30 days' notice, at the following percentages of the principal amount thereof if redeemed on or before October 15 in each of the following years (together in each case with accrued interest to the date specified for redemption):

<u>Year</u>	<u>Percentage</u>	<u>Year</u>	<u>Percentage</u>	<u>Year</u>	<u>Percentage</u>	<u>Year</u>	<u>Percentage</u>
1970.....	109.00	1975.....	106.50	1980.....	104.00	1985.....	101.50
1971.....	108.50	1976.....	106.00	1981.....	103.50	1986.....	101.00
1972.....	108.00	1977.....	105.50	1982.....	103.00	1987.....	100.50
1973.....	107.50	1978.....	105.00	1983.....	102.50	1988.....	100.00
1974.....	107.00	1979.....	104.50	1984.....	102.00	1989.....	100.00

The Junior Debentures will also be payable, in the event that the security constituted by the Junior Trust Indenture shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, at the principal amount thereof plus accrued interest.

Sinking Funds

The Company will covenant in the Junior Trust Indenture to establish a mandatory sinking fund for the Junior Debentures by paying to the Trustee an amount sufficient to retire \$275,000 principal amount of Junior Debentures before October 15 in each of the years 1973 to 1988 inclusive. Such mandatory sinking fund payments will provide for the retirement of 88% of the original principal amount of the Junior Debentures prior to maturity.

In addition to the above mentioned mandatory sinking fund payments, the Company will have the right to make payments, by way of a non-cumulative optional sinking fund, sufficient to retire on any sinking fund payment date a principal amount of Junior Debentures equal to 100% of the principal amount of Junior Debentures required to be retired by the mandatory sinking fund provisions on such date.

The Junior Debentures will be redeemable for mandatory or optional sinking fund purposes at the principal amount thereof plus accrued interest to the date specified for redemption.

The Company will be entitled to purchase Junior Debentures in the market or by tender or by private contract at any price not exceeding the redemption price at which such Junior Debentures, at the date of purchase, are redeemable, otherwise than out of sinking fund moneys, plus accrued interest and costs of purchase. All Junior Debentures purchased or redeemed by the Company (except Junior Debentures purchased or redeemed out of mandatory and optional sinking fund moneys) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which, at the election of the Company, may be applied (to the extent not theretofore applied) in satisfaction in whole or in part of mandatory sinking fund payments payable thereafter.

Certain Covenants of the Junior Trust Indenture

In addition to other covenants and provisions, the Junior Trust Indenture will contain covenants and provisions to the effect that:

- (1) The Company will not create, assume or suffer to exist any mortgage, lien or other encumbrance on any of its assets to secure any bonds, debentures or other obligations (other than Senior Debentures now or hereafter issued under the Senior Trust Indenture) which ranks or purports to rank prior to or pari passu

with the floating charge created by the Junior Trust Indenture unless at the same time it shall secure equally and rateably therewith all the Junior Debentures then outstanding, and the Company will not permit any Subsidiary to create, assume or suffer to exist any mortgage, lien or other encumbrance on any of its assets to secure any bonds, debentures or other obligations (other than Funded Obligations issued to the Company or to any Wholly-owned Subsidiary) unless at the same time it shall secure equally and rateably therewith all the Junior Debentures then outstanding.

- (2) The Company will not permit any Subsidiary to issue or become liable on any Funded Obligations other than Funded Obligations issued to the Company or to a Wholly-owned Subsidiary and the Company will not, nor will it permit any Subsidiary to, sell or otherwise dispose of (other than to the Company or a Wholly-owned Subsidiary) any Funded Obligations of a Subsidiary.

- (3) The Company will not

- (i) declare or pay any dividends (other than stock dividends or cumulative dividends on preference shares issued otherwise than as a stock dividend) on any of its shares at any time outstanding; or
- (ii) effect any reduction of its paid up capital or make any distribution of its assets upon its shares or, except for the purpose of effecting mandatory retirements of preference shares issued otherwise than as a stock dividend, purchase, redeem or retire any shares of the Company

unless, after such declaration, payment, reduction, distribution, purchase, redemption or retirement:

- (i) Consolidated Current Assets would be equal to or more than 150% of Consolidated Current Liabilities; and
 - (ii) Shareholders' Equity will be not less than the aggregate principal amount of all Consolidated Funded Obligations then outstanding.
- (4) The Company will not issue any Additional Junior Debentures unless Shareholders' Equity shall be equal to at least 100% of the principal amount of all Consolidated Funded Obligations to be outstanding immediately after such issue; provided that, for all purposes of the Junior Trust Indenture any Funded Obligations outstanding at the time of any such issue which are to be retired within one week following such time shall be deemed not to be outstanding immediately after such issue if all moneys required to retire such Funded Obligations are paid to the Trustee prior to the time of any such issue or if the payment of such moneys is provided for to the satisfaction of the Trustee prior to such time.

For the purposes of the restrictions in the foregoing paragraphs (3) and (4) the directors may from time to time determine the Consolidated Current Assets and/or Consolidated Current Liabilities and/or Shareholders' Equity of the Company and its Subsidiaries (if any) as of a date not more than 120 days prior to the making of such determination and may determine such Consolidated Current Assets and/or Consolidated Current Liabilities and/or Shareholders' Equity to be not less than a stated amount or respective stated amounts without determining the exact amount or amounts thereof. There may be included in any such determination of Consolidated Current Assets of the Company and its Subsidiaries (if any) as current assets the net proceeds or estimated net proceeds of any Funded Obligations (except to the extent that such net proceeds or estimated net proceeds have been or are to be applied within one year thereafter to the acquisition of assets other than current assets, as to which a resolution of the directors setting out the application or proposed application of any such net proceeds or estimated net proceeds shall be conclusive and binding) issued and/or agreed to be issued (prior to the making of such determination) for cash notwithstanding that such Funded Obligations may have been issued and/or agreed to be issued subsequent to the date as of which the determination is made. In making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet of the Company and its Subsidiaries (if any) and/or the last available audited balance sheet of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet of the Company and its Subsidiaries (if any) and/or the last available unaudited balance sheet of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable, provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report or other data without taking into account every event which to their knowledge has happened which would materially affect such Consolidated Current Assets and/or Consolidated Current Liabilities and/or Shareholders' Equity as determined on such basis. Upon any determination

having been made by the directors under the provisions hereof the Consolidated Current Assets and/or Consolidated Current Liabilities and/or Shareholders' Equity of the Company and its Subsidiaries as at any date within a period of 120 days following the date as of which such determination is made (unless any further determination of such Consolidated Current Assets and/or Consolidated Current Liabilities and/or Shareholders' Equity is so made within the said period) shall be conclusively deemed to be not less than the amount or respective amounts stated in such determination and such determination shall be conclusive and binding upon the Company and the Trustee and the holders of the Junior Debentures.

- (5) The Company will not permit the aggregate amount, determined on a consolidated basis, of the net rental obligations of the Company and all its Subsidiaries for any calendar year under leases of real property and/or Production Equipment to be at any time in excess of \$750,000, exclusive of (a) any lease, the expiry date of which, or the last expiry date of any term which could result from the exercise of any option to renew such lease, falls within 3 years after the date on which such net rental obligations are being determined, and (b) leases for electronic data processing equipment and office and warehouse space. For the purpose of this covenant, the amount of the net rental obligation for any calendar year under any such lease shall be the sum of the rental and other payments required to be paid in such calendar year by the lessee thereunder, not including, however, any amounts required to be paid by such lessee thereunder (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates, and similar charges.

The foregoing paragraphs (1) to (5) inclusive and the floating charge created by the Junior Trust Indenture shall not apply to nor operate to prevent:

- (a) the creation or guarantee of any Purchase Money Obligation by the Company or by any Subsidiary, provided that such Purchase Money Obligation does not exceed 75% of the cost of the property acquired; or
- (b) the assumption by the Company or by any Subsidiary of any Purchase Money Obligation, or of any mortgage, hypothec, lien, charge or encumbrance at the time of acquisition of any property subject thereto, provided that the same was not created or placed thereon in connection with such acquisition; or
- (c) the giving of security or the issuance of Funded Obligations by a Subsidiary to secure the Junior Debentures; or
- (d) the extension, renewal or refunding by the Company or by any Subsidiary of any Funded Obligations of the Company or such Subsidiary to the extent of the principal amount of such Funded Obligations outstanding at the time of such extension, renewal or refunding; or
- (e) the securing of any Funded Obligations issued as permitted under clause (d) above in the same manner as the Funded Obligations extended, renewed or refunded were secured at the time of such extension, renewal or refunding; or
- (f) the Company or any Subsidiary pledging, assigning or giving security or securities (which in the case of security given by the Company may rank in priority to the said floating charge), in the ordinary course of business, on any assets (except real or immoveable properties, plant, machinery, equipment and other Fixed Assets) to any bank or banks under the Bank Act (Canada) or otherwise for present or future debts or liabilities of the Company or such Subsidiary to such bank or banks provided that such debts or liabilities do not constitute Funded Obligations; or
- (g) pledges or deposits under workmen's compensation laws or similar legislation or good faith deposits in connection with bids, tenders, leases, contracts (other than for the borrowing of money or the repayment of money borrowed) or expropriation proceedings, or deposits to secure public or statutory obligations or deposits of cash or obligations to secure surety and appeal bonds; or
- (h) liens or privileges imposed by law such as carriers', warehousemen's, mechanics' and material men's liens and privileges and liens and privileges arising out of judgments or awards with respect to which judgments or awards the Company or a Subsidiary at the time shall currently be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review; or liens for taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Company or a Subsidiary in good faith; or undetermined or inchoate liens, privileges and charges incidental to current operations

which have not at such time been filed pursuant to law against the Company or which relate to obligations not due or delinquent; or the deposit of cash or securities in connection with any lien or privilege hereinbefore in this clause (h) referred to; or

- (i) minor encumbrances, including, without limitation, easements, rights of way, servitudes or other similar rights in land granted to or reserved by other persons, rights of way for sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties, which encumbrances, easements, servitudes, rights of way, other similar rights and restrictions do not, in the opinion of Counsel, in the aggregate materially detract from the value of the said properties or materially impair their use in the operation of the business of the Company or of a Subsidiary, as the case may be; or
- (j) such mortgage, hypothec, charge, pledge or other encumbrance required to be given or granted by any Subsidiary pursuant to the terms of any trust deed or similar document entered into by such Subsidiary prior to the date when it became a Subsidiary provided that such trust deed or similar document was not entered into in connection with the acquisition of such Subsidiary; or
- (k) the incurring of obligations under forward commitments of purchase entered into in the ordinary course of business or under any lease entered into in the ordinary course of business or under any guarantee of such obligations given in the ordinary course of business or under any guarantee or negotiation of any indebtedness or evidence of indebtedness of a customer or supplier in the ordinary course of business; or
- (l) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, licence, franchise, grant or permit acquired by the Company or any Subsidiary, or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other periodic payments as a condition of the continuance thereof; or
- (m) security given by the Company or any Subsidiary to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or governmental or other public authority in connection with the operations of the Company or such Subsidiary, all in the ordinary course of its business; or
- (n) the reservations, limitations, provisos and conditions, if any, expressed in any original grants from the Crown; or
- (o) title defects or irregularities which, in the opinion of Counsel, are of a minor nature and in the aggregate will not materially impair the use of the property for the purposes for which it is held by the Company or a Subsidiary.

Definitions

The following terms, which are used above, (the term "Shareholders' Equity also being used under the heading "Description of Senior Debentures" on page 13) will be defined in the Junior Trust Indenture substantially as follows:

"Consolidated Current Assets" means (after eliminating all inter-company items as between the Company and its Subsidiaries (if any)) the aggregate of the following assets of the Company and its Subsidiaries (if any): cash on hand, in transit and on deposit in banks and trust companies, call loans, bonds, debentures, shares and similar investments (other than those issued by the Company or a Subsidiary) which are readily marketable and which in accordance with generally accepted accounting practice may properly be grouped as current assets taken at their quoted market value, accounts receivable and bills and notes receivable if payable on demand or within 12 months, accrued interest and dividends declared and receivable within 12 months, rents and royalties receivable within 12 months (all less adequate allowance for possible loss in collection thereof) inventories of manufactured products, products in course of manufacture, stores, materials, and supplies at values not in excess of cost or net realizable value, whichever is the lower, prepaid insurance, taxes and other expenses, and any other assets which, in accordance with generally accepted accounting practice, may properly be grouped as current assets, but these shall not include any moneys held by a trustee for any sinking fund purposes or set aside by the Company or a Subsidiary on its books for sinking fund purposes;

"Consolidated Current Liabilities" means (after eliminating all inter-company items as between the Company and its Subsidiaries (if any)), the aggregate of all Current Liabilities of the Company and its Subsidiaries (if any);

“Consolidated Funded Obligations” means the aggregate amount of all Funded Obligations of the Company and its Subsidiaries (if any) arrived at on a consolidated basis in accordance with generally accepted accounting practice;

“Current Liabilities” means all liabilities of a corporation which, in accordance with generally accepted accounting practice, may properly be grouped as current liabilities, but these shall not include liabilities in respect of principal, premium (if any) or sinking fund instalments (if any) in respect of any Funded Obligations which may be owing, issued or guaranteed by such corporation;

“Fixed Assets” means such assets as are treated as fixed assets in accordance with generally accepted accounting practice;

“Funded Obligations” means all Indebtedness, including Purchase Money Obligations, created, assumed or guaranteed which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date of the original creation, assumption or guarantee thereof;

“Indebtedness” means and includes all items of indebtedness which in accordance with generally accepted accounting practice would be included in determining total liabilities as shown on the liability side of a balance sheet as at the date as of which Indebtedness is to be determined, but in any event including, without limitation, (1) obligations secured by any mortgage, hypothec, pledge or lien, whether or not the obligations secured thereby shall have been assumed, and (2) guarantees, endorsements (other than endorsements for collection in the ordinary course of business) and other contingent obligations in respect of, or any obligations to purchase or otherwise acquire or service, obligations of others;

“Production Equipment” means all equipment and machinery used for the purpose of manufacturing the goods produced by the Company and/or any Subsidiary other than any piece of equipment or machine having a replacement value of less than \$10,000;

“Purchase Money Obligation” means any Indebtedness, whether or not secured, in respect of the purchase price of property acquired by the Company or a Subsidiary provided that any security therefor ranking pari passu with or in priority to the floating charge of the Junior Trust Indenture is limited to the property so acquired and fixed improvements, if any, erected thereon at the time of such acquisition or at any time thereafter, and includes any extension, renewal or refunding of any such Indebtedness, provided that the principal amount of such Indebtedness outstanding on the date of such extension, renewal or refunding is not increased;

“Senior Debentures” means the debentures of the Company issued or to be issued under the Senior Trust Indenture and for the time being outstanding and entitled to the benefit of the security created by the Senior Trust Indenture;

“Senior Trust Indenture” means the trust indenture made as of April 15, 1966 between the Company and Montreal Trust Company, as trustee, under which debentures of the Company may be issued without limitation as to aggregate principal amount upon compliance with the relevant provisions of the said trust indenture;

“Shareholders’ Equity” means the aggregate of the following amounts appearing on a consolidated balance sheet of the Company and its Subsidiaries (if any) prepared in accordance with generally accepted accounting practice, namely:

- (i) paid up capital;
- (ii) earned surplus or deficit; and
- (iii) contributed surplus;

less all intangible assets appearing on such balance sheet all as determined in accordance with generally accepted accounting practice;

“Subsidiary” means any corporation of which there is owned, directly or indirectly, by or for the Company and/or by or for any corporation in like relation to the Company, Voting Shares which, in the aggregate, entitle the holders thereof to cast more than 50% of the votes which may be cast by the holders of all the outstanding Voting Shares of such first mentioned corporation for the election of its directors and includes any corporation in like relation to a Subsidiary;

“Voting Shares” means shares of capital stock of any class of a corporation having under all circumstances the right to elect at least a majority of the directors of such corporation, provided that, for the purposes hereof, shares which only carry the right to vote conditionally on the happening of an event shall not be considered

Voting Shares whether or not such event shall have happened nor shall any shares be deemed to cease to be Voting Shares solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of such event;

“Wholly-owned Subsidiary” means any corporation all of the outstanding Voting Shares in the capital stock of which (except directors’ qualifying shares) are owned by the Company and/or any other corporation in like relation to the Company and includes any corporation in like relation to a Wholly-owned Subsidiary.

Modifications of Junior Trust Indenture

The rights of the holders of Junior Debentures under the Junior Trust Indenture may be modified. For that purpose, among others, the Junior Trust Indenture will contain provisions for the holding of meetings of holders of Junior Debentures and for rendering resolutions passed at such meetings and instruments in writing signed by the holders of a specified percentage of the Junior Debentures outstanding binding upon all holders of Junior Debentures, subject to the provisions of the Junior Trust Indenture.

DESCRIPTION OF THE SHARE PURCHASE WARRANTS

Share Purchase Warrants (the “Warrants”) entitling the bearers thereof to purchase an aggregate of 150,000 Shares without par value of the Company, as presently constituted, at any time after receipt and up to the close of business on October 15, 1974 at the price of \$8.00 per Share, and thereafter, at the price of \$10.00 per Share, up to the close of business on October 15, 1979 when they will expire, will be issued by the Company in accordance with the provisions of an indenture (the “Warrant Indenture”) to be dated as of October 1, 1969 and made between the Company and Montreal Trust Company, as trustee. The Warrants will entitle the bearer to purchase 15 Shares for each \$500 principal amount of the Junior Debentures and will be issued to the holders of Junior Debentures on October 15, 1971, or such earlier date as the Company may designate, at which time the Warrants will be exercisable.

The Warrant Indenture will provide for the issuance of Warrants to holders of Junior Debentures in interim form which are called for redemption prior to the exchange thereof for Junior Debentures in definitive form.

The Warrant Indenture will contain provisions to the effect that, in the event of (a) any reduction in the number of Shares of the Company due to consolidation thereof, or (b) any increase in the number of Shares outstanding due to subdivision thereof, or (c) any reclassification of such Shares, an appropriate adjustment shall be made in the number of Shares or kind of shares issuable pursuant to the exercise of the Warrants subsequent to any such change in the number of Shares outstanding or kind of shares outstanding becoming effective.

The Warrant Indenture will also contain other provisions to the effect that if the Company, at any time after October 15, 1969, issues or sells shares (with certain exceptions to be set forth in the Warrant Indenture, including the exercise of employee stock options, or the issue of shares pursuant to stock purchase or analogous plans), including shares issued by way of stock dividend, at a price below the purchase price in effect under the Warrants immediately prior to the issuance of such shares, or issues any shares on the exercise of rights to subscribe for or warrants to purchase shares, or of any options for the purchase of shares or on conversion of any securities convertible into or exchangeable for shares and the consideration per share for which shares were issued pursuant to such rights, warrants, options or convertible or exchangeable securities or otherwise is in any case less than the said purchase price in effect under the Warrants immediately prior to the issuance of such shares, the said purchase price shall be adjusted (in the manner to be set forth in the Warrant Indenture) so as to protect the rights of the holders of the Warrants against dilution; provided that no adjustment is to be made as a result of the issue of Shares which would have the effect of increasing the purchase price above \$8.00 per Share up to October 15, 1974 or \$10.00 per Share thereafter and up to October 15, 1979 as such prices may be increased or decreased to reflect any consolidation, subdivision or other adjustment of Shares. The Company will covenant in the Warrant Indenture that it will at all times reserve sufficient of its unissued Shares to satisfy the exercise of the Warrants.

The Company will covenant in the Warrant Indenture during the period in which the Warrants are exercisable to give public notice before taking certain actions, including the payment of a stock dividend on its Shares, the making of any other distribution on its Shares other than cash dividends, or the issue of rights to the holders of its Shares, such notice to be given at least 21 days prior to the record date for the determination of the shareholders entitled to such dividend, distribution or rights. Such notice need only set forth such particulars of such dividend, distribution or rights as shall have been determined at the date the notice is given.

The Warrant Indenture will provide that the Company shall not be required to issue fractional Shares upon exercise of the Warrants. The Company shall, at its option, in lieu of delivering a fractional Share either adjust

such fractional interest by payment of an amount in cash equal to the current market value of such fractional interest or issue a scrip certificate of the Company in respect of such fractional interest, which scrip certificate when surrendered to the Company's Transfer Agent together with similar scrip certificates representing in the aggregate the right to subscribe for at least one full Share shall be exchangeable for a share certificate or certificates for the number of full Shares called for by all the scrip certificates to be surrendered.

DESCRIPTION OF SENIOR DEBENTURES

The outstanding debentures (the "Senior Debentures") of the Company were issued under and are secured by a trust indenture (the "Senior Trust Indenture") made as of April 15, 1966 between the Company and Montreal Trust Company, as trustee. The Senior Trust Indenture is expressed to constitute a floating charge on the undertaking and all the properties and assets of the Company for the time being, present and future, of whatsoever nature or kind, subject to an exception as to the last day of the term of any lease or agreement therefor.

The Senior Trust Indenture makes provision for a sinking fund for the Senior Debentures and the Senior Debentures, subject to certain conditions, are redeemable at the option of the Company at the prices and on the terms contained in the Senior Trust Indenture.

In addition to covenants which are substantially to the same effect as the covenants to be contained in the Junior Trust Indenture and referred to under the sub-heading "Certain Covenants of the Junior Trust Indenture" on page 7 (except that the covenant restricting the payment of dividends for so long as any of the Senior Debentures are outstanding contains no restriction related to Shareholders' Equity) the Senior Trust Indenture contains covenants by the Company restricting (a) the creation or assumption of funded debt, (b) the use of the net proceeds from any disposition of fixed assets, and (c) the periods during which the Company may have current indebtedness for money borrowed outstanding.

The payment of the principal of, premium, if any, and interest on, the Senior Debentures and of all other payments from time to time required to be made by the Company under the terms of the Senior Trust Indenture are unconditionally guaranteed by The Budd Company.

The Senior Trust Indenture permits the issuance of additional debentures from time to time, without limitation as to aggregate principal amount, subject to certain terms and conditions.

DESCRIPTION OF SHARES

By supplementary letters patent dated June 30, 1969 the 800,000 then outstanding shares without par value of the Company were sub-divided on a $2\frac{1}{2}$ for 1 basis and the authorized capital of the Company was increased from 10,000,000 Shares issuable for a maximum consideration of \$10,000,000 to 15,000,000 Shares issuable for a maximum consideration of \$40,000,000. Upon the completion of this financing 3,560,000 Shares (including the 1,560,000 Shares being offered by this prospectus) will be issued and outstanding as fully paid and non-assessable Shares. In addition 150,000 Shares have been reserved for issuance upon exercise of the Warrants referred to under the heading "Description of the Share Purchase Warrants" on page 12 and 100,000 Shares have been reserved for issuance under the share option plan referred to under the heading "Share Option Plan" on page 15. Each holder of Shares is entitled at all meetings of shareholders to one vote for each Share held and all Shares rank equally in respect of dividend rights, upon a winding up or dissolution of the Company and in all other respects. There are no preemptive rights attaching to the Shares.

Dilution

The net tangible book value of the outstanding Shares of the Company was \$2.95 per Share as at June 30, 1969. Upon completion of this financing the Shares will have a net tangible book value of \$4.87 per Share as at June 30, 1969, as set out in the pro forma balance sheet on pages 18 and 19. Purchasers of the Shares will experience an immediate dilution in the net tangible book value of their Shares.

PRIOR SALE

On June 29, 1969, the Company issued to The Budd Company 200,000 shares, as then constituted (500,000 Shares following sub-division on June 30, 1969), in consideration of cancellation of indebtedness of the Company in the amount of \$2,000,000.

DIVIDENDS

No dividends have been paid on the Company's Shares to date. The payment of dividends on the Shares will be subject to the discretion of the board of directors of the Company and to such policy as it may adopt from time to time.

MANAGEMENT OF THE COMPANY

The names, home addresses, positions held with the Company and the principal occupations for the past five years of the directors and officers of the Company are set forth below:

<u>Name and home address</u>	<u>Office</u>	<u>Principal Occupation</u>
DARWIN W. CLAY..... 290 Sheldon Avenue North Kitchener, Ontario	President and General..... Manager and Director	President and General Manager of the Company
DUDLEY AVERY WARD..... 14 Forestview Road Wallingford, Pennsylvania, U.S.A.	Vice-President and..... Director	Corporate Vice-President—Finance and Administration of The Budd Company
LEONARD GEORGE DAWSON..... 64 Birchcliff Avenue Kitchener, Ontario	Vice-President—Finance..... and Secretary-Treasurer	Vice-President—Finance and Secre- tary-Treasurer of the Company
FREDERIC WALTER NORCROSS..... 447 Old Farm Road Wyncote, Pennsylvania, U.S.A.	Assistant Secretary-..... Treasurer and Director	Corporate Treasurer of The Budd Company
JAMES HECTOR MCNEAL, JR..... 592 Woodway Court Bloomfield Hills, Michigan, U.S.A.	Director.....	Vice-President—Overseas Automo- tive Operations, Automotive Di- vision, The Budd Company
RICHARD CAMPBELL MEECH, Q.C..... 40 Stratheden Road Toronto, Ontario	Director.....	Partner, Borden, Elliot, Kelley & Palmer
GILBERT FRANCIS RICHARDS..... 411 Goodhue Road Bloomfield Hills, Michigan, U.S.A.	Director.....	President—Automotive Division, The Budd Company
PHILIP WOODMANSEE SCOTT..... 32 Conshohocken State Road Gladwyne, Pennsylvania, U.S.A.	Director.....	President of The Budd Company

All of the above directors and officers of the Company have been employed in various executive capacities with the Company, The Budd Company or its affiliates during the past five years, with the exception of Mr. Clay, who, prior to November, 1968 was factory manager of the Company and prior to October, 1965, was president and general manager of Modern Iron Works, Reading, Pennsylvania; Mr. Dawson, who, prior to October 1965, was chief financial officer of Moffats Limited; and Mr. Meech, who during the past five years has been a partner of Borden, Elliot, Kelley & Palmer.

PROMOTER

The Budd Company, Philadelphia, Pennsylvania, may be considered the promoter of the Company.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The amount of the aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company (including the five highest paid employees of the Company) during the 12 months ended December 31, 1968, was \$126,939, and during the six month period ended June 30, 1969 was \$61,123.

The estimated cost to the Company during the 12 months ended December 31, 1968 of all pension benefits proposed to be paid in the aggregate by the Company, directly or indirectly, under the Company's Salaried Employees Pension Plan, to the directors and senior officers of the Company in the event of retirement at normal retirement age was \$6,817.

PRINCIPAL HOLDERS OF SECURITIES

The following table lists the only shareholder of the Company owning of record, or known to the Company to own beneficially, either directly or indirectly, more than 10% of the Shares of the Company at June 30, 1969:

<u>Name and Address</u>	<u>Designation of class</u>	<u>Type of ownership</u>	<u>Number of Shares owned</u>	<u>Percentage of class</u>
The Budd Company 2450 Hunting Park Avenue Philadelphia Pennsylvania	Shares without par value	Beneficial ⁽¹⁾	2,000,000	100%

(1) All held of record except 7 directors' qualifying Shares.

As at June 30, 1969 the directors and senior officers of the Company, as a group, beneficially owned, directly or indirectly, 12,301 Common Shares of the par value of \$5.00 (U.S.) per share of The Budd Company representing .23% of the number of such shares outstanding on that date.

SHARE OPTION PLAN

On July 23, 1969 the Board of Directors of the Company established a Share Option Plan under which certain employees of the Company, including officers and directors who are employees, may from time to time be granted options to purchase Shares at a price which is not less than 90% of the fair market value of such Shares on the business day immediately preceding the date on which such option is granted. Under the Plan no option shall remain exercisable for a period of more than 10 years from the date of granting. The Company has reserved 100,000 Shares for issuance pursuant to the Share Option Plan. As at the date hereof no options have been granted under the Plan.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company is required to pay The Budd Company an annual parent company administrative fee for marketing, engineering and general and administrative services, the amount of which will vary from year to year depending upon the services rendered by The Budd Company. The payments for the fiscal year 1968 amounted to \$700,975, equal to approximately 2.2% of sales of the Company. It is not contemplated that such fee will in any year exceed an amount equal to 3% of sales in such year. For particulars on The Budd Company reference is made to the heading "Principal Holders of Securities" above.

MATERIAL CONTRACTS

Material contracts entered into by the Company during the two years preceding the date hereof other than contracts entered into in the ordinary course of business are as follows:

- (1) agreement between the Company and Giffels Associates Limited dated May 12, 1969 providing for architectural services;
- (2) agreements between the Company and Niagara Structural Steel Company Limited dated May 20, 1969 and June 30, 1969, respectively, providing for the purchase by the Company of structural steel;
- (3) agreement between the Company and Quigley Construction Co., Limited dated June 17, 1969 providing for site development;
- (4) agreement between the Company and Blacktop Construction Limited dated June 17, 1969 providing for preliminary paving of storage and parking-lot areas;
- (5) agreement between the Company and The Budd Company whereby on June 27, 1969 demand promissory notes in the aggregate principal amount of \$2,000,000 of the Company held by The Budd Company were converted into 200,000 shares of the Company as then constituted;
- (6) agreement between the Company and Dunker Construction Ltd. dated July 7, 1969 providing for foundations for press shop and assembly areas;
- (7) underwriting agreement between the Company and McLeod, Young, Weir & Company Limited dated September 15, 1969 referred to under the heading "Underwriting" on page 5.

Copies of the above-mentioned contracts and of the Junior Trust Indenture, the Warrant Indenture and the Deposit Agreement, when executed, may be examined during normal business hours at the head office of the Company, 1011 Homer Watson Boulevard, Kitchener, Ontario, during the period of primary distribution of the securities offered by this prospectus and for a period of 30 days thereafter.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are Messrs. Peat, Marwick, Mitchell & Co., Chartered Accountants, 15 King Street West, Hamilton, Ontario.

The transfer agent and registrar for the Shares of the Company is National Trust Company, Limited at its principal offices located in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

The Canada Trust Company at its principal office, 110 Yonge Street, Toronto, Ontario will be the trustee for the holders of the Junior Debentures. Registers upon which fully registered Junior Debentures will be registered as to principal and interest, and upon which coupon Junior Debentures, when available, may be registered as to principal, and upon which transfers of the Junior Debentures so registered shall be recorded, will be kept by The Canada Trust Company at its principal offices located in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

Montreal Trust Company at its principal office, 15 King Street West, Toronto, Ontario is the trustee for the holders of the 6¾ % Sinking Fund Debentures, Series A (the "Senior Debentures") of the Company. Registers upon which fully registered Senior Debentures are and will be registered as to principal and interest and upon which coupon Senior Debentures are and may be registered as to principal and upon which transfers of the Senior Debentures so registered are recorded, are kept by the said trustee at its principal offices in the cities of Toronto, Montreal and Winnipeg.

Auditors' Report

The Board of Directors

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED

We have examined the balance sheet and pro forma balance sheet of The Budd Automotive Company of Canada Limited as at June 30, 1969 and the statements of earnings, deficit and source and use of funds for the four financial periods ended December 31, 1968 and the six months ended June 30, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) The accompanying balance sheet presents fairly the financial position of the Company as at June 30, 1969;
- (b) The accompanying pro forma balance sheet presents fairly the financial position of the Company as at June 30, 1969 after giving effect to the changes set forth in Note 1;
- (c) The accompanying statements of earnings, deficit and source and use of funds present fairly the results of operations of the Company and the source and use of its funds for the four financial periods ended December 31, 1968 and the six months ended June 30, 1969;

all in accordance with generally accepted accounting principles applied on a consistent basis.

Hamilton, Ontario
September 16, 1969

(Signed) PEAT, MARWICK, MITCHELL & Co.
Chartered Accountants

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED

Balance Sheet and Pro Forma Balance Sheet

June 30, 1969

ASSETS

	Balance Sheet	Pro Forma Balance Sheet (note 1)
CURRENT ASSETS:		
Cash.....	\$ 3,000	\$ 3,000
Accounts receivable.....	2,366,758	2,366,758
Inventories, at the lower of cost or net realizable value:		
Finished frames.....	450,300	450,300
Work in process.....	1,040,453	1,040,453
Raw material and supplies.....	1,116,042	1,116,042
	<u>2,606,795</u>	<u>2,606,795</u>
Prepaid expenses.....	274,735	274,735
Total current assets.....	<u>5,251,288</u>	<u>5,251,288</u>
INVESTMENT OF CASH SET ASIDE FOR PLANT EXPANSION.....	—	14,094,000
PROPERTY, PLANT AND EQUIPMENT, at cost less accumulated depreciation:		
Land improvements.....	559,327	559,327
Buildings.....	8,061,639	8,061,639
Machinery and equipment.....	13,614,594	13,614,594
	<u>22,235,560</u>	<u>22,235,560</u>
Less accumulated depreciation.....	2,774,208	2,774,208
	<u>19,461,352</u>	<u>19,461,352</u>
Land.....	339,534	339,534
	<u>19,800,886</u>	<u>19,800,886</u>
OTHER ASSETS:		
Deferred production charges, less amortization (note 7).....	974,945	974,945
Deferred financing expenses, less amortization.....	93,788	368,788
	<u>1,068,733</u>	<u>1,343,733</u>
	<u>\$26,120,907</u>	<u>\$40,489,907</u>

Approved by the Board:

(Signed) J. H. McNEAL, Director

(Signed) R. C. MEECH, Director

The accompanying notes are an integral part of the financial statements.

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED

Balance Sheet and Pro Forma Balance Sheet

June 30, 1969

LIABILITIES AND SHAREHOLDERS' EQUITY

	Balance Sheet	Pro Forma Balance Sheet (note 1)
CURRENT LIABILITIES:		
Bank loans (unsecured)	\$ 2,331,000	\$ —
Outstanding cheques.....	127,617	127,617
	<u>2,458,617</u>	<u>127,617</u>
Accounts payable and accrued expenses.....	1,397,187	1,397,187
Taxes, other than income taxes.....	122,421	122,421
Due to parent company, The Budd Company (including \$107,885 payable in U.S. funds of \$99,578).....	166,927	166,927
Current portion of long term debt.....	<u>880,000</u>	<u>880,000</u>
Total current liabilities.....	5,025,152	2,694,152
LONG TERM DEBT (note 4):		
6¾ % Sinking Fund Debentures, Series A, due May 2, 1986.....	14,120,000	14,120,000
9 % Junior Sinking Fund Debentures, due October 15, 1989.....	—	5,000,000
SHAREHOLDERS' EQUITY (notes 1, 4, 5, 6):		
Capital stock:		
Shares without par value:		
Authorized 15,000,000 Shares		
Issued:		
Actual, 2,000,000 Shares.....	8,000,000	—
Pro forma, 3,560,000 Shares.....	—	19,700,000
Deficit.....	<u>1,024,245</u>	<u>1,024,245</u>
	<u>6,975,755</u>	<u>18,675,755</u>
COMMITMENTS (see note 3)	<u>\$26,120,907</u>	<u>40,489,907</u>

The accompanying notes are an integral part of the financial statements.

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED

Statement of Earnings

For the four financial periods ended December 31, 1968
and the six months ended June 30, 1969

	Period from October 8, 1965 (date of incorporation) to December 31, 1965	Year ended December 31, 1966	Year ended December 31, 1967	Year ended December 31, 1968	Six months ended June 30, 1968 (unaudited)	Six months ended June 30, 1969
SALES:						
Automotive frames.....	\$ —	—	\$ 9,260,992	\$27,535,560	\$14,570,656	\$12,613,306
Dies, jigs and fixtures.....	—	2,234,741	5,488,899	4,335,085	744,975	1,333,145
	—	2,234,741	14,749,891	31,870,645	15,315,631	13,946,451
DEDUCT:						
Cost of sales.....	—	3,422,834	14,157,899	24,500,248	11,554,632	10,269,536
Other operating expenses*.....	44,681	682,743	850,739	1,091,028	581,440	554,921
Depreciation (note 7).....	—	—	995,299	1,186,400	586,668	597,431
Amortization of deferred production charges (note 7).....	—	—	273,856	1,099,841	581,771	502,506
	44,681	4,105,577	16,277,793	27,877,517	13,304,511	11,924,394
Operating profit (loss).....	(44,681)	(1,870,836)	(1,527,902)	3,993,128	2,011,120	2,022,057
ADD OTHER INCOME:						
Interest earned.....	178	309,097	2,729	—	—	—
Sundry.....	—	—	9,585	73,710	26,925	8,485
	(44,503)	(1,561,739)	(1,515,588)	4,066,838	2,038,045	2,030,542
DEDUCT:						
Interest on long term debt.....	—	506,250	1,012,500	1,012,500	506,250	506,250
Other interest.....	—	—	328,374	464,665	286,846	155,633
Amortization of financing expenses.....	—	868	5,102	5,102	2,551	2,551
	—	507,118	1,345,976	1,482,267	795,647	664,434
Net earnings (loss) before income taxes..	(44,503)	(2,068,857)	(2,861,564)	2,584,571	1,242,398	1,366,108
INCOME TAXES (note 9).....	—	—	—	1,375,000	661,000	720,000
Net earnings (loss) before extraordinary items.....	(44,503)	(2,068,857)	(2,861,564)	1,209,571	581,398	646,108
EXTRAORDINARY ITEMS:						
Recovery of income taxes through application of prior years' losses.....	—	—	—	1,375,000	661,000	720,000
Net earnings (loss).....	\$ (44,503)	\$ (2,068,857)	\$ (2,861,564)	\$ 2,584,571	\$ 1,242,398	\$ 1,366,108
 *Including parent company administrative charges.....	\$ —	\$ 493,578	\$ 520,168	\$ 700,975	\$ 400,867	\$ 362,947

Statement of Deficit

For the four financial periods ended December 31, 1968
and the six months ended June 30, 1969

Deficit at beginning of period.....	\$ —	\$ 44,503	\$ 2,113,360	\$ 4,974,924	\$ 4,974,924	\$ 2,390,353
Net earnings (loss) for the period.....	(44,503)	(2,068,857)	(2,861,564)	2,584,571	1,242,398	1,366,108
Deficit at end of period.....	\$ 44,503	\$ 2,113,360	\$ 4,974,924	\$ 2,390,353	\$ 3,732,526	\$ 1,024,245

The accompanying notes are an integral part of the financial statements.

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED

Statement of Source and Use of Funds

**For the four financial periods ended December 31, 1968
and the six months ended June 30, 1969**

	Period from October 8, 1965 (date of incorporation) to December 31, 1965	Year ended December 31, 1966	Year ended December 31, 1967	Year ended December 31, 1968	Six months ended June 30, 1968 (unaudited)	Six months ended June 30, 1969
FUNDS PROVIDED:						
Net earnings.....	\$ —	\$ —	\$ —	\$ 2,584,571	\$ 1,242,398	\$ 1,366,108
Add depreciation, amortization and other charges not involving an outlay of cash....	—	—	—	2,291,343	1,170,990	1,113,520
Funds provided from operations.....	—	—	—	4,875,914	2,413,388	2,479,628
Proceeds from issue of debentures.....	—	15,000,000	—	—	—	—
Proceeds from issue of shares.....	2,000,007	3,999,993	—	—	—	2,000,000
Total funds provided.....	2,000,007	18,999,993	—	4,875,914	2,413,388	4,479,628
FUNDS USED:						
Net loss.....	44,503	2,068,857	2,861,564	—	—	—
Deduct depreciation, amortization and other charges not involving an outlay of cash....	—	868	1,293,639	—	—	—
Funds used in operations.....	44,503	2,067,989	1,567,925	—	—	—
Purchase of property, plant and equipment...	912,019	17,727,374	2,942,179	377,179	294,296	438,779
Deferred production charges.....	—	485,612	2,084,685	401,442	80,814	72,927
Organization expenses.....	3,715	15,667	—	—	—	7,910
Financing expenses.....	—	99,500	—	—	—	—
Current portion of long term debt.....	—	—	—	440,000	—	440,000
Total funds used.....	960,237	20,396,142	6,594,789	1,218,621	375,110	959,616
INCREASE (DECREASE) IN WORKING CAPITAL.....	\$ 1,039,770	\$ (1,396,149)	\$ (6,594,789)	\$ 3,657,293	\$ 2,038,278	\$ 3,520,012

The accompanying notes are an integral part of the financial statements.

THE BUDD AUTOMOTIVE COMPANY OF CANADA LIMITED

Notes to Financial Statements

June 30, 1969

1. The pro forma balance sheet gives effect, as of June 30, 1969, to the following:

- (a) the issue under an underwriting agreement of \$5,000,000 9% Junior Sinking Fund Debentures due October 15, 1989 (carrying Warrants to purchase 150,000 Shares) and the issue of 650,000 Shares without par value, to be issued in Units each consisting of a \$500 Debenture (carrying Warrants to purchase 15 Shares) and 65 Shares, for an aggregate consideration of \$9,550,000 of which \$4,850,000 is applicable to the Debentures and \$4,700,000 is applicable to the Shares.
- (b) the issue of 910,000 Shares without par value to the parent company for a cash consideration of \$7,000,000.
- (c) the application of the proceeds of the issue as follows:
 - (i) the payment of expenses of issue, excluding Underwriters' discount, to be borne by the Company, estimated at \$125,000 which amount is charged to deferred financing expenses;
 - (ii) the repayment of bank indebtedness; and
 - (iii) the balance invested until required from time to time for plant expansion.

2. The financial statements are stated in Canadian dollars and U.S. dollar items have been translated on the following bases: current balance sheet items at the rate in effect at June 30, 1969; operating items at the rates in effect as the transactions occurred.

3. At June 30, 1969 commitments for the construction of additional plant facilities amounted to approximately \$2,000,000. Subsequent to June 30, 1969 further commitments of approximately \$9,000,000 have been entered into.

4. The 6¾% Sinking Fund Debentures, Series A, are secured by way of a first floating charge on the undertaking, property and assets of the Company and a guarantee by the parent company. The Trust Indenture securing these debentures requires the payment of an amount sufficient to retire on November 2, 1969 and on May 2 and November 2 in each of the years 1970 to 1985, both inclusive, \$440,000 principal amount of the debentures. These debentures may be retired for other than sinking fund purposes, at the Company's option, at premiums varying according to date of redemption. The Trust Indenture contains restrictions on the payment of dividends and redemption or repayment of capital if certain conditions are not met.

Details of the 9% Junior Sinking Fund Debentures are set forth commencing on page 6 of the prospectus of which these financial statements form a part.

5. As referred to in Note 1 (a) 150,000 Shares are reserved for issuance to the holders of Warrants. The Warrants will be exercisable on or about October 15, 1971 or such earlier date as the Company may designate, at \$8.00 per Share at any time up to October 15, 1974 and at \$10.00 per Share thereafter, and up to October 15, 1979, when they expire.

On July 23, 1969 100,000 Shares were reserved for issuance pursuant to the Share Option Plan available to certain employees who may, from time to time, be granted options, to purchase Shares at a price which is not less than 90% of the fair market value of such Shares on the business day immediately preceding the date on which such options are granted.

6. On June 27, 1969 200,000 Shares were issued to the parent company the consideration therefor being the cancellation of demand notes payable to that company of \$2,000,000.

By supplementary letters patent dated June 30, 1969 the outstanding Shares were sub-divided on the basis of 2½ Shares for each share then outstanding, increasing the outstanding Shares to 2,000,000. At the same time the authorized capital was increased from 10,000,000 Shares without par value to 15,000,000 Shares without par value issuable for a maximum consideration of \$40,000,000.

7. Deferred production charges include plant re-arrangement, production aids and unrecovered tooling costs. Amortization of these charges is provided over the model lives with the amortization period not exceeding three years.

Depreciation is provided on a straight line basis over the estimated useful life of the plant and equipment as follows:

	<u>Estimated useful life</u>
Land improvements (parking lots, fences, etc.).....	30 years
Buildings.....	30 to 40 years
Building equipment.....	20 to 30 years
Machinery and equipment.....	5 to 30 years

8. The Company has a pension plan covering all salaried employees. The plan contains no provision for past service and at June 30, 1969 no member of the plan was entitled to vested pension benefits.

9. No income taxes have been or are presently payable by the Company. The accumulated tax loss at June 30, 1969 still available to reduce taxable income to 1972 is approximately \$6,182,000 of which approximately \$5,189,000 arises from claiming capital cost allowances in excess of depreciation recorded in the accounts and other timing differences. Of the approximate amount of \$5,189,000, \$1,061,000 arose in 1966, \$3,447,000 in 1967, \$569,000 in 1968 and \$112,000 in the six months ended June 30, 1969.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1966 (Ontario), The Securities Act, 1968 (Manitoba), The Securities Act, 1967 (Saskatchewan) and The Securities Act, 1967 (Alberta) provide, in effect, that where a security is offered to the public in the course of primary distribution a purchaser is permitted in certain events:

- (a) to withdraw from any agreement of purchase if written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement of purchase is received by the vendor or his agent not later than midnight on the second business day after the final prospectus or amended final prospectus is received or deemed to be received by the purchaser or his agent; and
- (b) to rescind the agreement of purchase by institution of legal proceeding within ninety days from the date of receipt or deemed receipt of the final prospectus or an amended final prospectus by the purchaser or his agent or the date of the agreement of purchase, whichever is later, if such prospectus or amended prospectus, as of the date of receipt or deemed receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

The full text of such provisions is contained, respectively, in Sections 63 and 64 of The Securities Act, 1966 (Ontario), in Sections 63 and 64 of The Securities Act, 1968 (Manitoba), in Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and in Sections 63 and 64 of The Securities Act, 1967 (Alberta).

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser (other than a company) has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

Certificate of the Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario), by Part VII of The Securities Act, 1968 (Manitoba), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part 7 of The Securities Act, 1967 (Alberta), by Part VII of the Securities Act, 1967 (British Columbia) and the respective regulations thereunder, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

Dated: September 16, 1969.

(Signed) D. W. CLAY
Chief Executive Officer

(Signed) L. G. DAWSON
Chief Financial Officer

On behalf of the Board of Directors

(Signed) J. H. McNEAL
Director

(Signed) R. C. MEECH
Director

Directors

G. F. RICHARDS } by their Agent
P. W. SCOTT } (Signed) D. W. CLAY
(Signed) D. A. WARD
(Signed) D. W. CLAY

(Signed) J. H. McNEAL
(Signed) F. W. NORCROSS
(Signed) R. C. MEECH

Promoter

THE BUDD COMPANY

By: (Signed) D. A. WARD
Corporate Vice-President—Finance and Administration

Attest: (Signed) D. MANNING
Secretary (C.S.)

Certificate of the Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario), by Part VII of The Securities Act, 1968 (Manitoba), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part 7 of The Securities Act, 1967 (Alberta) by Part VII of the Securities Act, 1967 (British Columbia) and the respective regulations thereunder, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

Dated: September 16, 1969.

MCLEOD, YOUNG, WEIR & COMPANY LIMITED

Per: (Signed) L. E. BARLOW

The following includes the names of all individuals having an interest of 5% or more in the capital of McLeod, Young, Weir & Company Limited: J. S. Dinnick, G. C. MacDonald, C. P. Keeley, R. W. Wadds, J. R. Hilborn, R. J. G. Reiner, L. E. Barlow, J. L. McLaughlin and C. E. Godwin.

19. **TRANSFER FEE**

No fee is charged on the transfer of shares of the Company other than the customary government stock transfer taxes.

20. **AUDITORS**

Peat, Marwick, Mitchell & Co., Chartered Accountants, 15 King Street West, Hamilton, Ontario, are auditors of the Company.

21. **OFFICERS AND DIRECTORS**

NAME AND ADDRESS	OFFICE	PRINCIPAL OCCUPATION
Darwin W. Clay 290 Sheldon Avenue North Kitchener, Ontario	President and General Manager and Director	President and General Manager of the Company
Dudley Avery Ward 14 Forestview Road Wallingford, Pennsylvania, U.S.A.	Vice-President and Director	Corporate Vice-President—Finance and Administration of The Budd Company
Leonard George Dawson 64 Birchcliff Avenue Kitchener, Ontario	Vice-President— Finance and Secretary-Treasurer	Vice-President—Finance, and Secretary-Treasurer of the Company
Frederick Walter Norcross 447 Old Farm Road Wyncote, Pennsylvania, U.S.A.	Assistant Secretary- Treasurer and Director	Corporate Treasurer of The Budd Company
James Hector McNeal, Jr. 596 Woodway Court Bloomfield Hills, Michigan, U.S.A.	Director	Vice-President—Overseas Automotive Operations, Automotive Division, The Budd Company
Richard Campbell Meech, Q.C. 40 Stratheden Road Toronto, Ontario	Director	Partner, Borden, Elliot, Kelley & Palmer
Gilbert Francis Richards 411 Goodhue Road Bloomfield Hills, Michigan, U.S.A.	Director	President—Automotive Division, The Budd Company
Philip Woodmansee Scott 32 Conshohocken State Road Gladwyne, Pennsylvania, U.S.A.	Director	President of The Budd Company

During the past five years all of the above directors and officers of the Company have been associated in various capacities with the corporation or firm opposite his name, with the exception of Mr. Clay, who, prior to October, 1965, was President and General Manager of Modern Iron Works, Reading, Pennsylvania; and Mr. Dawson, who, prior to October, 1965, was Chief Financial Officer of Moffats Limited.

CERTIFICATE OF THE COMPANY

Pursuant to a resolution duly passed by its board of directors, the Company hereby applies for the listing of the above-mentioned shares on The Toronto Stock Exchange and the undersigned officers of the Company hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

**THE BUDD AUTOMOTIVE COMPANY OF
CANADA LIMITED**



by: "D. W. CLAY"
President

by: "L. G. DAWSON"
Secretary-Treasurer

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

McLEOD, YOUNG, WEIR & COMPANY LIMITED
Per: "J. R. McKEEMAN"

DISTRIBUTION OF SHARES WITHOUT PAR VALUE AS OF NOVEMBER 5, 1969

Number	Shares
6	6
1,055	48,015
253	36,726
15	3,465
53	18,590
1	420
21	14,880
32	3,437,898
1,436	3,560,000

Shareholders

Total shares

